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IN THE
Supreme Court of the United States

QUANTA COMPUTER, INC., QUANTA STORAGE, INC.,
QUANTA COMPUTER USA, INC., & NU TECHNOLOGY,
INC.,

Petitioners,

v.

RICOH COMPANY, LTD.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL
CIRCUIT

REPLY BRIEF

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REPLY BRIEF

Petitioner Ricoh Company, Ltd. ("Rico") fails to defend the indefensible. Disregarding the statutory text, the Federal Circuit has forsaken the article-in-commerce rule this Court has repeatedly articulated in interpreting section 271(c). Section 271(c) is one of the most important provisions of the Patent Act. This Court should grant the petition to vindicate the plain statutory language and longstanding precedent, and to avoid industry uncertainty that the decision below will cause.

1. The fundamental flaw in Rico's analysis is that it disregards the basic statutory requirements for proving contributory infringement of *method* patents. Rico devotes much of its opposition to analysis of what constitutes a "component" for purposes of section 271(c). Opp. 9-12. But Rico, like the Federal Circuit, ignores that sale or importation of a "component" is only a basis for section 271(c) liability when the plaintiff alleges contributory infringement of "a patented machine, manufacture, combination or composition." 35 U.S.C. § 271(c). Here, as it admits, Rico alleges only infringement of *method* claims (i.e., of its patented processes for writing optical discs using certain velocity and pausing techniques). App. 6a-7a; Opp. 4-5; Pet. 5.

By the express terms of the statute, contributory infringement of a method patent requires proof that the defendant sold or imported "*a material or apparatus* for use in practicing a patented process" with three characteristics: (1) it "constitut[es] a material part of the invention"; and (2) the defendant

"know[s] the *same* to be especially made or especially adapted for use in an infringement of such patent," and (3) "not a staple article or commodity of commerce suitable for substantial noninfringing use." 35 U.S.C. § 271(c) (emphasis added). Even Ricoh does not have the temerity to argue that each of the vast numbers of individual electronic circuits on a controller chip or firmware elements used to write optical discs is itself a "material or apparatus" under section 271(c).¹

This is fatal to Ricoh's argument (and to the Federal Circuit's "component" rule). Section 271(c) liability turns on whether the "*same*" "material or apparatus" that the defendant imports or sells is a "commodity of commerce suitable for substantial noninfringing use." *Id.* (emphasis added). For method patents, the statute does not impose liability because some "component" of an apparatus lacks substantial noninfringing uses.

Ricoh erroneously asserts that "Quanta's petition depends critically upon the notion that, by importing optical drives into the United States and selling them, Quanta *is not* importing and selling the components that make up those drives." Opp. 10. That is untrue. The statute commands that a court look to the *entirety* of the imported or sold apparatus that is used

¹ While Ricoh uses the vague term "hardware or software modules," its expert testified to certain "electronic circuitry, firmware elements, and other components of the accused Quanta drives that [allegedly perform the methods of the '552 and '755 patents and] have no practical use other than' performance of those methods." App. 41a n.1 (Gajarsa, J., dissenting in part) (citation omitted); *see also* App. 70a.¹

to infringe the patented process, and determine whether that "same" apparatus has substantial noninfringing uses.

Here, the "apparatus" that an infringer would employ "for use in practicing a patented process" is the optical disc drive itself. Pet. 15 (quoting 35 U.S.C. § 271(c)). Although Ricoh misleadingly refers to "hardware and software modules responsible for infringement," Opp. 1, it does not dispute the obvious fact that an infringer could not use only these electronic circuits or firmware elements to practice its patented processes. Such processes for writing optical discs cannot be practiced without the drive apparatus itself, including (for example) the drive's laser, light detectors, and rotational and loading mechanisms. Pet. 15. Section 271(c) directs the court to identify the apparatus imported or sold by Quanta that an infringer would use to practice the patented process – here, the optical disc drive – and then to analyze whether the same apparatus (not its components) has substantial noninfringing uses.

Thus, individual apparatus components can never result in liability for contributory infringement of a method claim. More significantly, the Federal Circuit's "component" rule is improper even for determining liability under the first clause of section 271(c), which underscores the broad significance of the ruling below. In creating liability for "[w]hoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition" with no substantial noninfringing uses, the statute is not referring (as the Federal Circuit supposed) to components of the article imported or

sold (like electronic circuits or firmware elements). 35 U.S.C. § 271 (c). Rather, the statute refers to an article of commerce that *itself* is “a component of a patented machine, manufacture, combination or composition,” 35 U.S.C. § 271(c), such as fabric that is sold for use as a component of an automobile convertible top. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 478 (1964). Under section 271(c), the inquiry is always whether the “commodity of commerce” (be it a component of a patented device, or an apparatus used to practice a patented process) “is suitable for substantial noninfringing use.” 35 U.S.C. § 271(c). Whether a component of a component of a patented device, or a component of an apparatus used to practice a patented process, has such uses is irrelevant.

Ricoh tries in vain to draw support from a different clause in section 271(c), namely, the requirement that the apparatus for use in practicing a patented process “constitut[es] a material part of the invention.” 35 U.S.C. § 271(c). Without citation to authority (even to the decision below, which never addressed this clause), Ricoh advances the farfetched interpretation that “[o]nly those *aspects* of the component or apparatus that meet at least one limitation of a patent claim can constitute ‘a material part of the invention.’” Opp. 9-10 (emphasis added). But this clause, like the rest of section 271(c), has nothing to do with “aspects” of a component article or apparatus. Under section 271(c)’s plain language, the “material part of the invention” refers to “the thing sold”: *i.e.*, either to “a component” of a combination patent or to “a material or apparatus” for practicing a method patent. Giles S. Rich, *Infringement Under Section 271 of the Patent Act of*

1952, 21 Geo.Wash. L. Rev. 521, 539 (1953); 5 Donald S. Chisum, *Chisum on Patents* § 17.03[4], at 17-68 (2005). The "material part" clause does not narrow either of these terms to the infringing aspects of that "component" or "apparatus"; it simply excludes claims based on articles that can be used in practicing the patent but are not material to the invention. Accordingly, this Court has viewed the "material part" clause of section 271(c) to apply to the "article or commodity of commerce" sold (which can be either a "component" of a combination patent or a "material or apparatus" of a method patent). See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 179 (1980) (referring to "the sale of an unpatented article that constitutes a material part of the invention"); *Aro*, 377 U.S. at 487 ("The language of the section fits perfectly Aro's activity of selling 'a component of a patented * * * combination * * *, constituting a material part of the invention.'").

2. Nor does Ricoh fare better in its discussion of the policies underlying section 271(c). Ricoh argues that the purpose of section 271(c) concerns product design. Ricoh contends that the electronic circuits and firmware elements that lack substantial noninfringing uses are "separable" in a design sense because "Quanta also sells read-only drives that have the noninfringing features without the infringing ones," and thus could presumably design different products to eliminate these circuits and elements. Opp. 10; see also *id.* at 14 ("the noninfringing components could be offered separately" by Quanta); *id.* at 15 ("Quanta not only could but does make a product suitable for the noninfringing use of reading discs but that does not have the infringing recording feature.") According to Ricoh, section 271(c) should

be construed to prevent companies from "evad[ing] liability by the simple expedient of combining enabling hardware (with no use but to infringe) with separable, noninfringing hardware." Opp. 11.

But section 271(c) has no concern with whether a product could be designed differently to eliminate noninfringing uses. Section 271(c) instead defines the rule for determining when the specific intent to aid and abet infringement may be presumed simply from the fact of importation and sale of the article (thus obviating the need to prove active inducement under 35 U.S.C. § 271(b)). As this Court has held, the "staple article of commerce doctrine" embodied in section 271(c) is "devised to identify instances in which it may be presumed from *distribution of an article in commerce* that the distributor intended the article to be used to infringe another's patent." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 932 (2005) (emphasis added).²

Contributory infringement thus turns on the potential *uses* of the actual article sold or imported, not on whether it could have been designed differently.

² Because contributory infringement is a doctrine of presumed intent from the nature of the article sold or distributed, it is not proper (contrary to Ricoh's claims, Opp. 12) for downstream distributors of articles with substantial noninfringing uses to be held liable under section 271(c) based on characteristics of the articles' components. *Hyundai Elecs. Indus. Co. v. ITC*, 899 F.2d 1204, 1209 (Fed. Cir. 1990), cited at Opp. 11, is of no aid to Ricoh; that case concerns *direct* infringement under a different statute.

[W]here an article is good for nothing else but infringement, there is no legitimate public interest in its unlicensed availability, and there is no injustice in presuming or imputing an intent to infringe. Conversely, the doctrine absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one's products will be misused.

Id. at 932-33 (citations and internal quotation marks omitted). Indeed, in both *Grokster* and *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the products at issue could have been designed to avoid infringement, but this Court still found no basis for contributory infringement liability.³

By Ricoh's own admission, the optical disc drives that Quanta imports or sells have substantial noninfringing uses, Opp. 1, and thus the public has a substantial interest in their availability. Indeed, section 271(c) adopted a "restricted definition of

³ See *Grokster*, 545 U.S. at 916, 939 (company did not "develop filtering tools or other mechanisms to diminish the infringing activity using their software"); *Sony*, 464 U.S. at 427 (proposed injunction requiring redesign of VCRs to avoid contributory infringement); *id.* at 458 n.1, 492 n.42, 494 (Blackmun, J., dissenting) (noting that Sony produced other noninfringing video-recording devices and could manufacture a device that enabled broadcasters to scramble signals and "jam" unauthorized recording).

contributory infringement" codifying the article-in-commerce doctrine so as to prevent patentees from using their monopoly of patented inventions to control the market for unpatented articles. *Dawson*, 448 U.S. at 213; *Sony*, 464 U.S. at 441-42. The decision below negates the article-in-commerce rule and undermines the Patent Act.

3. Because the Federal Circuit has abandoned the article-in-commerce rule, it is in direct conflict with the precedents of this Court. Pet. 20-24. Ricoh claims that this rule is Quanta's contrivance, Opp. 13, but in fact this Court has repeatedly recognized the "staple article-in-commerce doctrine" codified in section 271(c). *E.g.*, *Grokster*, 545 U.S. at 932, 936; *Sony*, 464 U.S. at 442. Ricoh argues to no avail that the Court has not been confronted with a claim that certain components of the article lacked noninfringing uses. Opp. 13. Like the articles at issue in *Grokster* and *Sony*, Quanta's optical disc drives are a "dual-use technolog[y]," *Grokster*, 545 U.S. at 957 (Breyer, J., concurring), and Quanta would have prevailed if the Federal Circuit had applied the article-in-commerce rule rather than its newly minted "component" rule. The Federal Circuit has exclusive jurisdiction over patent cases, and there is no possibility of further percolation. It is for this Court to decide whether its article-in-commerce rule should be abandoned or modified.

4. Ricoh also fails to smooth the conflict with the Federal Circuit's prior precedents. Ricoh attaches significance to the fact that *Hodosh v. Block Drug Co.*, 833 F.2d 1575 (Fed. Cir. 1987), involved a patent misuse claim under section 271(d). Opp. 8, 16. That is of no moment. The safe harbor provided by section

271(d)(1) requires a determination of whether the product sold was a staple article of commerce with substantial noninfringing uses under section 271(c). *Hodosh*, 833 F.2d at 1577-78; *see also* 5 *Chisum on Patents* § 17.03[3], at 17-64. The determination under section 271(c) is exactly the same in contributory infringement and patent misuse claims.

Nor did *Hodosh* turn on the fact that the claim there concerned “an otherwise *infringing* product [that] containe[d] a *noninfringing* staple ingredient.” Opp. 17 (quoting Pet. App. 28a). *Hodosh* construed section 271(c) without limitation to one factual scenario, and held unequivocally that “§ 271(c) ... deals with *the material actually sold* by the accused and the uses made of it by its purchasers.” *Hodosh*, 833 F.2d at 1578 (emphasis added). Neither *Hodosh* nor the statutory scheme that it examined lends support to the Federal Circuit’s new policy-driven interpretive rule. Under this rule, the test for contributory infringement in cases where an apparatus practicing the patent contains an infringing ingredient will be different from cases where it contains a noninfringing ingredient – a distinction found nowhere in the text of Section 271(c) or this Court’s case-law.

Similarly unavailing is Ricoh’s attempt to distinguish *AquaTex Industries, Inc. v. Techniche Solutions*, 419 F.3d 1374 (Fed. Cir. 2005), on its facts. Opp. 18. *AquaTex* is directly relevant because, as here, it involved alleged infringement of a *method* patent. Where the method patent is at issue, *AquaTex* explained that the applicable clause of section 271(c) is the one referring to “a[n] . . . apparatus for use in practicing a patented process,”

and the proper inquiry is whether the entire *apparatus* – not one of its elements – is capable of substantial noninfringing use. 419 F.3d at 1379 n.** (quoting 35 U.S.C. § 271(c)). The conflict of the decision below with prior Federal Circuit precedent is stark.

5. Contrary to Ricoh's claims, there is also no pre-existing consensus among the district courts supporting the "component" rule announced by the Federal Circuit. The majority of district courts (relying on *Hodosh*) have concluded that section 271(c) requires the contributory infringement analysis to focus on "the product as a whole," rather than a specific ingredient or component.⁴ The few decisions on which Ricoh relies for its purported "consensus" either ignore *Hodosh* or treat it perfunctorily.⁵ In any event, the industry relies on this Court's precedents and *Hodosh*, not on minority district court decisions.

⁴ *Veritas Operating Corp. v. Microsoft Corp.*, 562 F. Supp. 2d 1141, 1169-75 (W.D. Wash. 2008); *TV Interactive Data Corp. v. Microsoft Corp.*, No. C0202385JSM, 2005 WL 1910929, at *4 (N.D. Cal. Aug. 10, 2005); *Rhône-Poulenc Agrochimie, S.A. v. Biagro W. Sales, Inc.*, 35 U.S.P.Q.2d (BNA) 1203, 1207 (E.D. Cal. 1995); *Hoffman-La Roche, Inc. v. Promega Corp.*, 33 U.S.P.Q.2d (BNA) 1641, 1648 (N.D. Cal. 1994); *Universal Elecs., Inc. v. Zenith Elecs. Corp.*, 846 F. Supp. 641, 651 (N.D. Ill. 1994).

⁵ See *Philips Elecs. N. Am. Corp. v. Contec Corp.*, 411 F. Supp. 2d 470 (D. Del. 2006); *Imagexpo, L.L.C. v. Microsoft Corp.*, 284 F. Supp. 2d 365 (E.D. Va. 2003); *Oak Indus., Inc. v. Zenith Elecs. Corp.*, 697 F. Supp. 988, 996 (N.D. Ill. 1988).

6. Unable to defeat Quanta's showing of conflicts of authority, Ricoh is left to argue that certiorari is improper because the case is interlocutory. Opp. 2. But this Court frequently grants certiorari in interlocutory cases arising from federal courts where this Court's review will be the same after final judgment and immediate resolution is important.⁶ Ricoh does not contest Quanta's showing (Pet. 28) that the review posture is the same now as it would be after final judgment; it merely argues that the issue may not survive final judgment. Opp. 18. But that is precisely the reason why this Court should grant certiorari now, and not leave the technology industry with unpredictable infringement liability and the imperative of adapting products to a rule that is unworkable in the age of pervasive computing. Pet. 28.

Ricoh argues that there are no substantial effects on the information technology industry "[i]f, as Ricoh maintains, the Federal Circuit's decision is simply the routine application of settled principles." Opp. 22-23. But, as shown above, the decision below abandons settled law. There can be no doubt as to the importance of this Court's resolution. As Microsoft Corporation informed the Federal Circuit (in a brief joined by information-technology giants

⁶ See, e.g., *Pac. Bell Tel. Co. v. Linkline Commc'ns, Inc.*, 129 S. Ct. 1109, 1116-17 (2009); *Morgan Stanley Capital Group, Inc. v. Pub. Util. Dist. No. 1*, 128 S. Ct. 2733, 2744-45, 2751 (2008); *Wilkie v. Robbins*, 551 U.S. 537, 400 (2007); *Watson v. Philip Morris Cos.*, 551 U.S. 142, 146-47 (2007); *Graham County Soil & Water Conservation Dist. v. United States*, 545 U.S. 409, 414 (2005).

Symantec Corporation, Oracle Corporation, Micron Technology, Inc., and Cisco Systems, Inc.), the decision below “threatens to wreak havoc in the information technology and other industries,” for “if any trifling feature of such a product is alleged to be capable of only infringing uses, then the product as a whole will be suspect regardless of its overwhelming noninfringing uses.” *Br. of Amici Curiae Microsoft Corp. et al., Ricoh Co. v. Quanta Computer, Inc.*, No. 2007-1567, 2009 WL 462596, at *9 (Fed. Cir. Jan. 15, 2009). This Court should avoid untenable industry uncertainty and restore the article-in-commerce rule under section 271(c). Pet. 25-28.

CONCLUSION

The petition should be granted.

Respectfully submitted,

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